



For Immediate Release

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**Colloquy by Senators Judd Gregg, Lamar Alexander and Jon Kyl
on the President's FY 2010 Budget
March 11, 2009
(unofficial)**

Mr. ALEXANDER. I thank the Chair.

Madam President, this is an important next 3 or 4 weeks for the United States. The President of the United States has outlined his 10-year blueprint for our country's future in the form of a budget. The budget is now before the Congress, and it is our job to consider it. We are doing that every day in hearings, and we are looking forward to the details the President will send later this month. But for the next 4 weeks, including this week, the major subject for debate in this Senate Chamber is this: Can we afford the Democrats' proposals for spending, taxes, and borrowing? And our view--the Republican view--is the answer is no.

As an example, in the 1990s, President Clinton and the Congress raised taxes, but they raised taxes to balance the budget. This proposal--and we will be discussing it more as we go along--will raise taxes to grow the government.

Not long ago, the President visited our Republican caucus, and we talked some about entitlement reform--the automatic spending that the government says we don't appropriate; mostly all of it is for Social Security, Medicare, and Medicaid--and he talked about the importance to him of dealing with entitlement spending. Senator *McConnell*, the Republican leader, made a speech at the National Press Club to begin this Congress in which he said that he was going to say to this President: Let's work together to bring the growth in entitlement spending, automatic spending, under control. We had a summit at the White House, which we were glad to attend, about that.

But I say to Senator Gregg, the Senator from New Hampshire, who is the ranking Republican on the Budget Committee, I was disappointed to come back from the excellent meeting we had at the White House on fiscal responsibility and find, for example, that in this budget we have \$117 billion more for entitlement spending on Pell

grants. So my question to the Senator from New Hampshire is: Does this budget actually reform entitlement spending, or does it not?

Mr. GREGG. I thank the Senator from Tennessee. I know the Senator from Tennessee will not be surprised to learn that there is no entitlement reform in this budget; that this budget, regrettably, dramatically increases entitlement spending.

The chart I have here reflects that increase. If you would use the present baseline on entitlement spending, that would be the blue. Now that is going up pretty fast. During this period, it would go from \$1.2 trillion in 2008 up to almost \$2.4 trillion in 2019. That is the baseline, if you did nothing. Now one would have presumed with that type of increase in entitlement spending, and the fact that this budget, as it is proposed, is going to run up a public debt which will double in 5 years and triple in 10 years, that it will create a deficit this coming year of \$1.7 trillion and a deficit in the last year of the budget of \$700 billion--deficits which are larger in the last years of this budget than have historically been those that we have borne as a nation over the last 20 years, and a debt which will go from \$5.8 trillion to \$15 trillion plus. One would have presumed that in that area where the budget is growing the fastest, and which represents the largest amount of cost, that this administration would have stepped forward and said: Well, we can't afford that; we have to try to slow the rate of growth of spending in that area, or at least not have increased it. But what the President's budget has done is they have proposed to dramatically increase the amount of spending in the entitlement accounts.

Most of this increase will come in health care. Now, people say, and legitimately so, that we have to reform our health care delivery system in this country; that we have to get better with health care in this country. But does that mean we have to spend a lot more money on it? No. We spend 17 percent of our national product, of what we produce as a nation, on health care. The closest country to us in the industrialized world only spends 11 1/2 percent of their product on health care. So we have a massive amount of money we are spending on health care as an industrialized nation that is available to correct our health care system. We don't have to increase it even further.

What the President is proposing is to increase health care spending. As a down payment, they are saying \$600 billion, but actually what they are proposing is \$1.2 trillion of new entitlement spending in health care. No control there. In addition, as the Senator from Tennessee noted, they are taking programs which have traditionally been discretionary, which have therefore been subject to some sort of fiscal discipline around here, because they are subject to what is known as spending caps on discretionary programs, and taking these programs and moving them over to the entitlement accounts. Why? Because then there is no discipline. You spend the money, and you keep spending the money, and there is no accountability. So they are taking the entire Pell program out of discretionary accounts and moving it over to entitlement accounts. As the Senator from Tennessee noted, this is over \$100 billion of new entitlement spending.

If we keep this up, what is it going to do? Essentially, what it is going to do is bankrupt our country, but it will certainly bankrupt our kids. We are going to pass on to them a

country which has this massive increase in debt--something our children can't afford, as I mentioned earlier--a debt which will double in 5 years because of the spending, and triple in 10 years. Almost all of this growth in debt is a function of the growth of the entitlement spending in this program. Although there is a considerable amount of growth in discretionary, the vast majority of this increase is in spending for entitlement programs.

To put it another way, and to show how much this is out of the ordinary and how much this is a movement of our government to the left--an expansion of government as a function of our society--this chart shows what historically the spending of the federal government has been. It has historically been about 20 percent of GDP. That has been an affordable number. Granted, we have run deficits during a lot of this period, but at least it has been reasonably affordable. But this administration is proposing in their budget that we spike the spending radically next year, which is understandable because we are in the middle of a very severe recession and the government is the source of liquidity to try to get the economy going. So that is understandable. Maybe not that much, but maybe understandable. It is more than I would have suggested, but I will accept that. The problem is out here, when you get out to the year 2011, 2012, and 2013, when the recession is over. When the recession is over, they do not plan to control spending. They plan to continue spending on an upward path so it is about 23 percent of GDP.

What does that mean? That means we are going to run big deficits, big debt, and all of that will be a burden and fall on the shoulders of our children. Our children are the ones who have to pay this cost.

Mr. ALEXANDER. At this point, let me ask the Senator from New Hampshire a question. I have heard you say, and I believe I said a moment ago, that in the 1990s, President Clinton raised taxes, as President Obama is planning to raise taxes, but that President Clinton used it to reduce the deficit.

Mr. GREGG. Yes. When President Clinton raised taxes in the mid 1990s, and a Republican Congress came into play, we controlled spending. He got his tax increase, the deficit went down, because the tax increase was put to reducing the deficit. What President Obama is proposing is that he increase taxes by \$1.4 trillion--the largest tax increase in the history of our country. Is it going to be used to reduce the deficit? No, just the opposite. It is going to be used to grow the government and allow the government to now consume 23 percent of GDP instead of the traditional 20 percent.

So you can't close this gap. Basically, all the new taxes in this bill--and there are a lot of them: there is a national sales tax on everybody's electric bill, a tax which is basically going to hit most every small business in this country and make it harder for them to hire people, and a tax which limits the deductibility of charitable giving and of home mortgages. All these new taxes are not being used to get fiscal discipline in place, to try to bring down the debt, or limit the rate of growth of the debt, or to limit the size of the deficit. They are being used to explode--literally explode--the size of the federal government, with ideas such as nationalizing the educational loan system, ideas such as

quasi-nationalization of the health care system, which is in here, and massive expansion of a lot of other initiatives that may be worthwhile but aren't affordable in the context of this agenda.

So this budget is a tremendous expansion in spending, a tremendous expansion in borrowing, and a tremendous expansion in taxes. And it is not affordable for our children.

Mr. ALEXANDER. I wonder if I may ask the Senator from New Hampshire about this. Some people may say, with some justification: You Republicans are complaining about spending, yet in the last 8 years you participated in a lot of it yourself. How would you compare the proposed spending and proposed debt over the next 10 years in this blueprint by the Obama administration with the last 8 years?

Mr. GREGG. That is a good point, and that has certainly been made by the other side of the aisle: Well, under the Bush administration all this spending was done and this debt was run up.

In the first 5 years of the Obama administration, under their budget--not our numbers, their numbers--they will spend more and they will run up the debt on the country more and on our children more than all the Presidents since the beginning of our Republic--George Washington to George Bush. Take all those Presidents and put all the debt they put on the ledger of America, and in this budget President Obama is planning to run up more debt than occurred under all those Presidents. It is a massive expansion in debt.

It is also an interesting exercise in tax policy. Now, I know we are not talking so much about taxes today, but I think it is important to point out that when you put a \$1.4 trillion tax increase on the American people, you reduce productivity in this country rather dramatically. One of the unique things about President Bush's term was that he set a tax policy which actually caused us to have 4 years--prior to this massive recession, which is obviously a significant problem and a very difficult situation--but for the runup during the middle part of his term right up until this recession started, the Federal Government was generating more revenues than it had ever generated in its history. Why was that? Because we had a tax policy which basically taxed people in a way that caused them to go out and be productive, to create jobs, and to do things which were taxable events.

Unfortunately, what is being proposed here, under this administration's tax policy, is going to cause people to do tax avoidance. Instead of investing to create jobs, they will go out to try to avoid taxes, and that is not an efficient way to use dollars. The practical effect is it will reduce revenues and increase the deficit. So on your point, the simple fact is, as this proposal comes forward from the administration, it increases the debt of the United States more in 5 years than all the Presidents of the United States have increased the debt since the beginning of the Republic.

Mr. ALEXANDER. I see the Senator from Arizona, who is a longtime member of the Senate Finance Committee and pays a lot of attention to Federal spending and is the assistant Republican leader. I wonder, Senator Kyl, as you have watched the Congress

over the years, to what do you attribute this remarkable increase in spending? We heard a lot of talk last year about change, but this may be the kind of change that produces a sticker shock. It may be a little bit more change in terms of spending than a lot of Americans were expecting.

Mr. KYL. Mr. President, I appreciate the question of my colleague from Tennessee. I also compliment the ranking member of the Budget Committee, the Senator from New Hampshire, who has tried to deal with budgets all the time he has been in the Senate.

If I could begin by just asking him one question: How would you characterize this budget proposed by the President as compared with others, in terms of the taxes and the spending and the debt created? Is there some way to compare it with all of the other budgets that you have worked with, including all of the Bush budgets?

Mr. GREGG. It has the largest increase in taxes, the largest increase in spending, and the largest increase in debt in the history of our country.

Mr. KYL. Mr. President, I first would answer my colleague from Tennessee. We ought to be spending less and taxing less and borrowing less. Our minority leader asked his staff to do some calculations. Just from the time that the new President raised his hand and was inaugurated as President, how much money have we spent? They calculated that we have spent \$1 billion every hour. That is just in the stimulus legislation, this omnibus bill that was just passed last night, which is 8 percent over the 2008 level, and we have not even added in the spending that is going to occur as a result of this budget, which, in 2009 is a third more spending than in 2008.

In addition to that, it makes much of the so-called temporary spending in the stimulus bill permanent. Some of us predicted that would happen, that when they have a new program in the stimulus bill they surely wouldn't cut it off after 2 or 3 years. We said they will probably make it permanent. Sure enough, and the ranking member on the Budget Committee can speak to that better than I, but a great many of these programs are made permanent. On health care, for example, the Senator from New Hampshire talked about that, but there is no effort to control entitlements.

In fact, Medicare, Medicaid, and Social Security combined rise by 6.8 percent from 2009 to 2010. Medicare itself increases by \$330 billion over the next ten years under the Obama budget compared to current law. This is increased spending, and it is permanent programs.

We also wondered what would happen with respect to the Federal Government's growth as a result. According to a March 3 Washington Post article, "President Obama's budget is so ambitious, with vast new spending on health care, energy independence, education, services for veterans, that experts say he probably will need to hire tens of thousands of new Federal Government workers to realize his goals." According to the article, estimates are as high as 250,000 new Government employees will have to be hired to implement all of this spending.

I know we want to create jobs in this economy, but I wonder if the American people intended that we create a whole bunch of new Government bureaucrats to spend all of this money.

Mr. ALEXANDER. I wonder if I might ask the Senator from Arizona, one might look at the chart Senator Gregg has up and say that is not too big an increase in Federal spending, but of course the United States produces about 25 percent of the world's wealth. When we go up on an annual basis by a few percentage points, it begins to change the character of the kind of country we have.

How do you see this kind of dramatic increase in spending and taxing and debt affecting the character of the country as compared with, say, countries in Europe or other countries around the world?

Mr. KYL. Mr. President, I would say that is getting to the heart of the matter. We can talk about these numbers all day. They are mind-boggling, they are very difficult to take in. But what does it all mean at the end of the day? I will respond in two ways.

First of all, it makes us look a whole lot more like the countries in Europe that have been stagnating for years because they spend such a high percent of their gross national product on government. As the Senator from New Hampshire pointed out, we are headed in that direction under this budget. It is a recipe for a lower standard of living in the United States and makes us look a lot more like Europe.

The second way goes back to the policy I think is embedded in this budget. The President has been very candid about this. He talks about it as his blueprint. He says this budget is not about numbers, it is about policies; it is about a blueprint for change. The Wall Street Journal on February 27 said:

“With yesterday's fiscal 2010 budget proposal, President Obama is attempting not merely to expand the role of the federal government but to put it in such a dominant position that its power can never be rolled back.”

That is the problem. It is the growth of Government controlling all of these segments of our lives. That is what this spending is ultimately all about, as the Senator from New Hampshire said, taking over the energy policy, taking over the health care, taking over the education policy, as well as running our financial institutions. It is not just about spending more money and creating more debt and taxing in order to try to help pay for some of that. It is also about a huge increase in the growth of Government and therefore the control over our lives.

In a way, the Wall Street Journal says, “In a way that can never be rolled back.”

Mr. ALEXANDER. I wonder if either the Senator from Arizona or New Hampshire would have a comment on the way that spending was accomplished in the stimulus bill. For example, in the Department of Education, where I used to work, the annual budget

was \$68 billion. But the stimulus added \$40 billion per year to the department's budget for the next 2 years. There were no hearings. There was no discussion about this. No one said: Are we spending all the money we are spending now in the right way, and if we were to spend more would we give parents more choices? Would we create more charter schools? Would we, as the President said yesterday, of which I approve, spend some money to reward outstanding teachers?

What about the way this is being spent on energy, education, and Medicaid, for example?

Mr. GREGG. I think the Senator is absolutely right. The stimulus package was a massive unfocused effort by people to fund things they liked. I don't think it was directed at stimulus. It was more directed at areas where people believed there needed to be more money, people who served on the Appropriations Committee, and therefore they massively funded those areas. Between the stimulus bill and the omnibus bill, there were 21 programs which received on average an 88-percent increase in funds for 2009 compared to 2008; \$155 billion more was spent on those programs for this year than last year. That is just a massive explosion in the size of the Government. It is inconsistent with what the purposes of what a stimulus package should have been.

The stimulus package should have put money into the economy quickly for purposes of getting the economy going. What this bill did was basically, as you mentioned earlier, build programs that are going to be very hard to rein in. The obligations are there. They are going to have to be continued to be paid for, and, as the Senator from Arizona pointed out, that was probably the goal: to fundamentally expand the size of Government in a way that cannot be contracted.

Take simply, for example, a very worthwhile exercise which is NIH. They received an extra \$10 billion, I believe, on the stimulus package, for 2 years of research. Research doesn't take 2 years. Research takes years and years and years, so you know if you put in that type of money up front you are going to have to come in behind it and fill in those dollars in the outyears.

They basically said you are going to radically expand the size of this initiative. The same thing happening in education. The same thing happening in health care. That is where this number goes up so much, 23 percent of GDP, and it goes up from there. The only way you pay for it is basically taxing our children to the point they cannot have as high a quality of life as we have.

Mr. ALEXANDER. I heard the Senator from Arizona say it was not just a \$1 trillion stimulus package, that if you assume that many of the stimulus programs won't expire as scheduled and that Congress will continue funding them in the future, it might be much more.

Mr. KYL. I think the number was \$3.27 trillion. I believe that was the correct number over the time of the 10 years.

The Senator from Tennessee certainly knows a bit about education. The stimulus bill was not all spending increases. There were some policies that actually attempted to reduce some costs--of a program that works very well, that thousands of people in the District of Columbia depend upon to send their kids to good schools. That is the program we put into effect to give a voucher of \$7,500 a year to kids to attend private schools, kids who would never have that opportunity otherwise.

If I could ask a question of my colleague from Tennessee, since as former Secretary of Education he knows something about how to make sure our kids have the best opportunities for education in this country, why, with the District of Columbia costing about \$15,000 a year to educate children and not doing a very good job of it according to all of the test scores, and thousands of parents wishing their kids had an alternative choice, somewhere else to go--when we create a program that provides a few of them, less than 2,000 a year, I believe, with a voucher that returns only half of that much money to the private school--\$7,500, so it doesn't cost the public anything--why, when it gives these kids such a great opportunity, would our colleagues on the other side of the aisle, and the President, whose two daughters, by the way, attend one of the schools that kids would have to be taken out of because they can't afford to go there without the voucher--why would they remove that school choice and the voucher program?

Mr. ALEXANDER. It is very hard to imagine, Senator Kyl. Just to make the point we are not being personal about that, my son attended the same school that the President's daughters attended when we were here and I was Education Secretary.

School vouchers may not be the solution in every rural county in America, but in the District of Columbia, 1,700 children who are low-income children have a chance to choose among private schools, their parents are delighted with the choice, and a study is coming out this spring to assess what they are learning. I do not know the motive behind this, but I do know the National Education Association has made its reputation opposing giving low-income parents the same choices that wealthy people have. That is a poor policy and one we ought not to have stuck on an appropriations bill like that.

The President has shown good instincts on education. His Education Secretary is a good one. But had we had a chance to debate this in committee and to hear from them, perhaps we could have had a bipartisan agreement that we need to pay good teachers more, we need more charter schools, and we need to give parents some more choices like these District of Columbia parents.

I know our time is running short. I wonder if the Senator from New Hampshire has any further thoughts about spending.

Mr. GREGG. I thank the Senator from Tennessee for taking this time. I think it all comes down to these numbers. Really, what does spending do? Sure it does a lot of good things, but in the end, if you don't pay for it, it makes it more difficult for our country to succeed and for our children who inherit the debts to succeed. When you double the debt in 5 years because of the spending, and you triple it in 10 years, you are absolutely

guaranteeing that you are passing on to our children a country where they will have less opportunities to succeed than our generation. That is not fair. It is simply not fair for one generation to do this to another generation. Yet that is what this budget proposes to do: to run up bills for our generation and take them and turn them over to our children and grandchildren at a rate greater than ever before, and a rate of increasing the debt that has never been conceived of before, that you would triple the national debt in 10 years.

It is not fair, it is not right, it is not appropriate, and it certainly is a major mistake, in my opinion.

Mr. ALEXANDER. Senator Kyl, to conclude our discussion, this is the beginning of a process in the Senate in which everyone in this country can participate. We are asking that they consider: Can you afford this amount of spending, this amount of borrowing, this amount of taxes? There is a different path we could take toward the future.

Mr. KYL. Indeed. Mr. President, I thank the Senator from Tennessee. As this debate unfolds, I think our colleagues will see that Republicans have some better ideas. We want to spend less and tax less and borrow less. We believe we can accomplish great results in the field of energy, for example, in the field of education, in the field of health care--much more positively, much better results in the long run with a lot less burden on our children and our grandchildren in the future.

As this debate unfolds, we are very anxious to present our alternative views on how to accomplish these results.

Mr. ALEXANDER. I thank the Senator from Arizona for his leadership and the Senator from New Hampshire for his views.

This is the beginning of a discussion about a 10-year blueprint offered by our new President about the direction in which our country should go. We on the Republican side believe American families cannot afford this much new spending, this many new taxes, and this much new debt. We will be suggesting why over the next 3 or 4 weeks, and in addition to that we will be offering our vision for the future. For example, on energy, some things we agree with, such as conservation and efficiency; some things we would encourage more of, such as nuclear power for carbon-free electricity.

This is the beginning of a very important debate, and the direction in which it goes will dramatically influence the future of this country and make a difference to every single family, not just today's parents but children and their children as well.

I yield the floor, and I suggest the absence of a quorum.